

Marketing on a Central Illinois Cash-Grain Farm¹

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Surrounded by deep, rich black topsoil about 10 miles southwest of Champaign, IL, the farmstead of Bill and Debbie Klein appears, viewed from the country road that passes it, far removed from the competitive, fast-paced world of commodity marketing. The well-kept buildings and machinery bring to mind the traditional, romantic view of a farm family linked to the soil.

But inside one corner of a heated machine shed where a paneled office has been constructed, the Kleins keep in contact with the world of commodity trading. They monitor and use that knowledge to best advantage to insure that the lifestyle of three generations of Kleins on this land remains an option for their children.

Bill Klein, who attended Champaign's Parkland College and the University of Missouri, has been farming since 1975. In 1981, he took over full responsibility for the operation when his father passed away. He rents part of the 1,500 acres farmed, but Klein markets all the corn and soybeans produced on the acreage for his eight landlords.

Bill Klein serves on the board of a large grain cooperative with a 12-million-bushel storage capacity and is involved in buying and selling machinery. He markets his grain through this cooperative as well. He is also a distributor for a computer

market information service.

Debbie Klein, who graduated from the University of Illinois in 1979 with a degree in Agricultural Industries and worked for a time with a Production Credit Association, handles financing, bookkeeping, tax management, and credit. She helps make most of the business decisions.

"When Bill's father died 6 years ago, it was a very difficult time. Bill's mother hadn't paid that much attention to the business side of the operation and I decided right then that wasn't going to happen to me. If anything happened to Bill, I wanted to know what was going on and what needed to be done," says Debbie.

The Kleins Are Innovators

In 1972, with the help of the Agricultural Engineering Department at the University of Illinois, they designed grain storage facilities to accommodate natural air drying. Today, Bill Klein continues to make extensive use of information and assistance through the Illinois Cooperative Extension Service.

Like other farm families in these times, the Kleins are always looking to diversify. They've discovered one excellent method.

"Last year, we cooperated with six seed corn or chemical company experiments," Klein explains. "Some people around here call me a professional cooperator. This place is getting to be like a research park."

Such an arrangement with one

¹See article, *Marketing Strategies and Alternatives for Individual Farmers*, by John (Jake) N. Ferris for explanation of specialized marketing terms and strategies.

seed company has resulted in a new building on the farmstead that will be leased to the research project, paying the cost of construction and eventually providing Klein with a "free" building.

"It helps diversify our operation, and the income it brings in is something you can always count on," says Debbie.

But the heart of the couple's approach to farming is marketing.

Marketing is critical for us," explains Debbie. "Bill spends more time marketing than he does planting and harvesting. Even when we go on vacation, he follows the markets, frequently calling back home to check on price developments."

For clear evidence of this commitment, just drop by Klein's office any weekday morning around 9:30 a.m. There you will find him closely monitoring the two computer screens on his desk that carry price information. One is that of a commercial advisory service to which he subscribes.

And while the telephone rings frequently, Klein's attention rarely strays long from the screen.

In addition to monitoring futures prices, Bill watches the cash market

for corn and soybeans. The changing relationship among cash prices, futures prices, and the posted county price for corn have become especially important for implementing the strategy of repaying Commodity Credit Corporation (CCC) loans with certificates.

Rapidly changing basis levels for soybeans also make access to current cash prices necessary to complete a hedging or contracting arrangement. Timely cash price information is available through numerous pages of market-related information at the punch of a key.

While there are no secret formulas for a successful marketing program, Klein has implemented all those measures that are necessary to do the best job of marketing possible.

"You can have all the advisers you want," he explains, "but ultimately it's the producer's responsibility."

His marketing plan begins with a careful evaluation of planting decisions, including participation in Government acreage-reduction and paid-diversion programs, which he has been part of since 1983.

Next, he painstakingly assesses the supply and demand fundamentals for



Debbie and Bill Klein are a close-knit team and believe marketing is critical for them. (David Riecks)

the marketing year and settles on a projection of the season's average price for corn and soybeans.

"When I try to forecast a price in my mind, I'd rather be pessimistic than optimistic," he says.

Still, the projection changes often during the 2 years in which a crop is marketed. To keep those projections current, Klein follows USDA reports and other sources of information.

Historical records and projected input prices can serve as the basis for cost of production estimates.

"But because of little land debt, most of my eight landlords have such a low cost structure that the cost of production is not an especially useful price target," he explains.

Yield projections, too, are made and updated as the planting and growing season progresses.

Klein has developed a working knowledge of the major marketing alternatives available to him.

"I'm not a big fan of commodity options because of the premiums associated with them," he relates. "I've used options on occasion just to become familiar with that market. And I've taken advantage of the futures market during the growing season to lock in a price on expected production. Routinely, I use basis contracts to lock in a favorable basis."

Marketing corn and soybeans over a relatively long period of time—from before planting until the summer following harvest—is advocated by Klein. He has, however, sold as much as 50 percent of expected production before the crop was planted.

"I realized that by using the futures market I could reverse that decision if price or crop prospects changed dramatically," he says.

Technical Analysis Important Too

In addition to becoming familiar with and staying current with market fun-

damentals, Klein uses technical analysis in timing his pricing decisions. For a few years, he kept daily bar charts in order to obtain a working knowledge of the role of that tool.

"Now I rely on technical information provided through a marketing advisory service and my commodity broker," he says.

Realizing the importance of detailed and accessible information, Klein also keeps records of his marketing decisions. He uses a daily calendar on his desk to record the quantities of corn and soybeans sold, the pricing method used, and the price or basis level locked in.

"I find this record to be an excellent source of information for reviewing the season's decisions and looking for ways to improve those decisions," Klein says.

He also observes and records the corn and soybean basis levels at the two buying stations he uses. These records provide a benchmark for forecasting basis and recognizing unusually good basis levels.

These include three major factors, according to Klein: "First is the amount of time you spend and the second is the people you draw from. Experience is the other factor."

Experience helps a farmer separate useful information from that which is merely confusing. Klein has stopped going to marketing meetings because he feels too many opinions can muddy rather than clarify a situation. Instead, he relies on the views of a few people whose opinions he values.

Has it worked? Klein says he is generally satisfied with his ability to meet his goal of pricing most of his crop in the top one-third of the season's price range.

"You have to say we've been successful," Debbie adds with a laugh. "We're still farming."